

## **ABOUT THE MONTANA BOARD OF HOUSING**

The Montana Board of Housing receives no funding from either State or Federal Governments. The Board was created by the Housing Act of 1975, and is an agency of the State and operates within the Department of Commerce. The Legislature, in establishing the Board, found that there is a shortage of adequate and affordable housing in the state for low- and moderate-income families. Over the years, the Board has actively pursued its purpose by issuing tax-exempt bonds to finance the purchase and construction of approximately 36,000 homes in the single family program. In Fiscal Year 2002, the Board provided mortgages to 1,655 households in Montana, and over 320 units of rental housing through the Multi-Family Programs. Prior MCC programs offered by the Board assisted over 2,500 families purchase their homes.

For more information, please contact your local lender, or call us at (406) 841-2840, or check out our website at:

[http://commerce.state.mt.us/Housing/Hous\\_Prog.html](http://commerce.state.mt.us/Housing/Hous_Prog.html)

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# **MONTANA BOARD OF HOUSING**

*Department of Commerce*

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## **Mortgage Credit Certificate Program**

April, 2003



# Mortgage Credit Certificate

“Financial friend to home buyers”

Imagine receiving a piece of paper that allows you to reduce your federal income taxes legally! If you think this piece of paper is a myth, it's not. It is a Mortgage Credit Certificate (MCC) and is generated from a program offered by the Montana Board of Housing. During changing economic times, the MCC can be the best financial friend you have ever had!

A qualified homebuyer using an MCC is able to claim up to 20% of annual mortgage interest paid as a federal income tax credit. The remaining mortgage interest (80%) continues to qualify as an itemized deduction. As an example, let's say you take out a \$100,000 mortgage, at 6% interest. You will pay \$6,000 in interest the first year. Twenty percent of this amount, or \$1,200, can be used to directly reduce your federal income tax liability. This provides you with a dollar-for-dollar reduction of your federal income taxes! Unused credit can be carried forward up to three years.

To make things even better, you can file an amended W-4 with your employer, reducing your tax withholdings, and increasing your monthly income by \$100 (\$1,200 / 12). You can use this tax savings to help you qualify for your mortgage loan or to qualify for a larger mortgage loan amount.

The third and best benefit is that you will receive your federal income tax credit as long as you retain the same mortgage loan, and occupy the home as your primary residence.

The MCC may be used in conjunction with any conventional fixed rate or adjustable rate loan, FHA, VA, RD loans, or privately insured mortgage loans statewide, including loans made in Indian Country. The lender will establish all underwriting criteria, including interest rate, down payment requirement, term, fees, points, and closing costs. The MCC may also be used in conjunction with financing the purchase of Board-owned property. In this initial program in 2003, there will be \$10,000,000 in available credit authority, which will assist a minimum of 600 eligible homebuyers.

As with any program, there are qualifying rules and regulations. MCC eligibility requirements include:

**New loan only** - The MCC is available with new purchases only. Refinances are not accepted. An MCC can be used on any loan type, at any rate, with any loan term.

**First-time home buyer** - You must be a first-time home buyer unless you are purchasing a home in a federally-designated Targeted Area. A first-time home buyer is someone who has not had ownership interest in his or her primary residence for the previous three years.

**Income Limits** - The gross annual income of the household cannot exceed Maximum Limits that range by county from \$43,800 to \$58,560 for a family of one or two and from \$50,370 to \$68,320 for families of three or more.

**Purchase Price Limits** - The purchase price of the home cannot exceed the Maximum Purchase Price Limits that range by county from \$132,600 to \$154,896 for existing homes and from \$156,700 to \$209,100 for new construction. The maximum mortgage amount is \$154,896 for existing homes or new construction.

**Business Use Limits** - No more than 15% of the residence may be used for trade or business purposes.

**Owner Occupancy** - The MCC is valid for the life of the loan, so long as you remain owner-occupant of the residence.

**Recapture Tax** - A recapture tax may apply if you sell your home within the first nine years, and your income has increased significantly.

You may apply for an MCC from any mortgage lender participating in the program. The lender will process the MCC application at the same time they process the paperwork for your mortgage loan. The maximum one-time MCC fee is \$400.